Historic, archived document

Do not assume content reflects current scientific knowledge, policies, or practices.

1.9
Ec752F
Cs66

LIBRARY
CURRENT SERIAL RECORD
OCT - 2 1943
U. S. DEPARTMENT OF AGRICULTURE

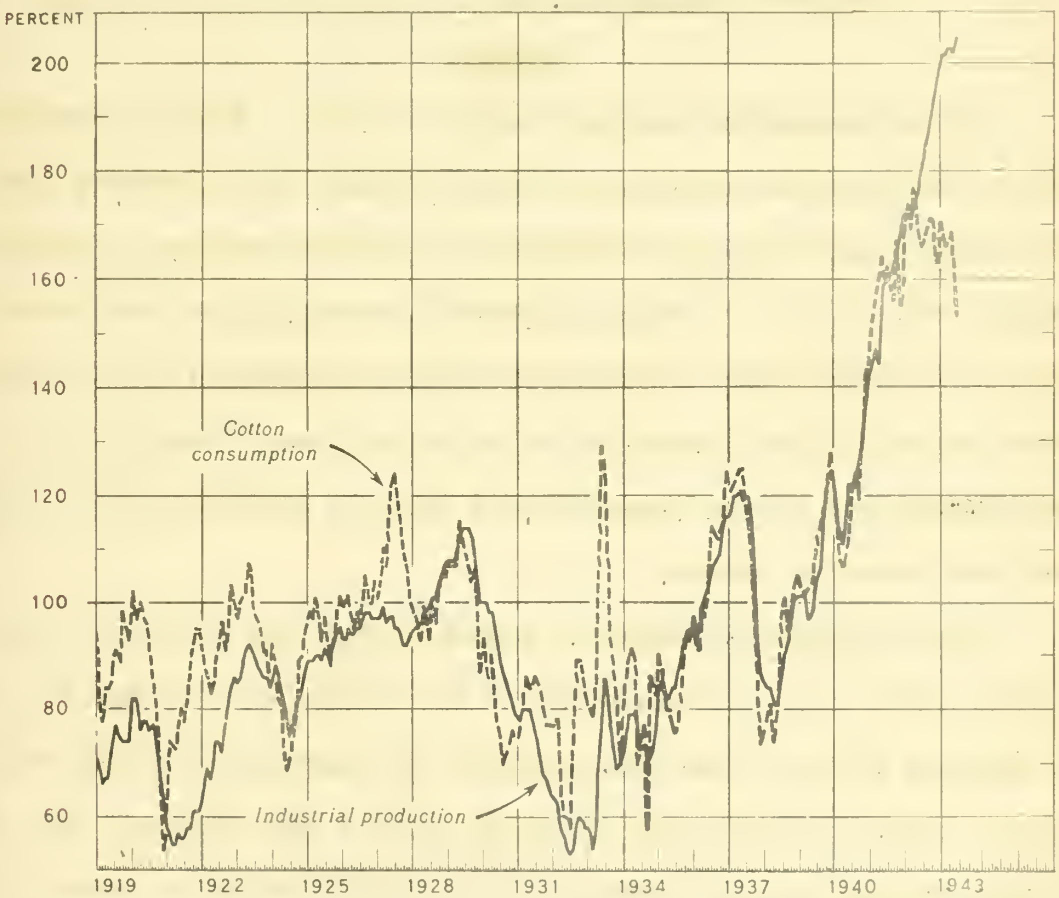
THE Cotton SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

CS-82 BAE AUGUST-SEPTEMBER 1943

INDUSTRIAL PRODUCTION AND COTTON CONSUMPTION, UNITED STATES, 1919-43

INDEX NUMBERS (1935-39=100) ADJUSTED FOR SEASONAL VARIATION



DATA FURNISHED BY BOARD OF GOVERNORS OF FEDERAL RESERVE SYSTEM

U S DEPARTMENT OF AGRICULTURE NEG 20570 BUREAU OF AGRICULTURAL ECONOMICS

Although domestic cotton consumption and industrial production are normally closely related, they are now farther apart than at any time for which data are available. The index of industrial production was at an all-time high of 205 in July while the cotton consumption index was only 153, the lowest since February 1941. One of the principal factors accounting for this decline in cotton consumption has been the high labor turn over rate which resulted in inexperienced workers replacing experienced workers and an accompanying loss in labor efficiency. More recently it has even been impossible to find a sufficient number of replacements and employment has declined.

THE COTTON SITUATION

NOTE - Release Date - NOTE

The release date of the Cotton Situation has been changed from late in the month to the first of the following month. Consequently, this issue which would otherwise have been dated August 30 bears the date of September 1. It is therefore listed on the cover page as the issue for August-September. The next and succeeding issues will be dated October 1, etc.

Summary

Cotton consumption declined sharply in July. Total consumption for both the month and per working day was the lowest since February 1941. This sharp decline accounted for consumption in 1942-43 totaling 11,098,513 bales compared with 11,170,106 bales in 1941-42 inasmuch as the cumulative consumption in 1942-43 held continuously above consumption for the corresponding portion of the 1941-42 season up to the end of June. Consumption of American-Egyptian cotton totaled 50,273 bales in 1942-43 compared with 47,031 bales the preceding season.

The carry-over of cotton on August 1, 1943, was 10,686,524 bales or slightly larger than the carry-over of 10,640,291 bales on August 1, 1942. The Egyptian cotton in the United States was reported at 38,052 bales or slightly under the carry-over of 38,546 bales a year earlier. The carry-over of other foreign cotton, however, was only 49,726 bales on August 1, 1943, compared with 96,876 bales on August 1, 1942.

Spot cotton prices on August 20 averaged about 3/4 cent above the 1943 Government loan rate in the 10 designated spot markets. In the Western irrigated markets, however, there was practically no difference between the market price and the loan rate.

-- September 1, 1943

THE DOMESTIC COTTON SITUATION

Consumption Off Sharply in July; Season Total Below 1941-42

Cotton consumption in July totaled 839,705 bales. It was the smallest consumption since February 1941 but exceeded any month prior to January 1941. This consumption compares with 916,789 bales in June 1943 and 994,552 bales in July 1942. Some of the decline in July reflects the smaller number of working days but the daily consumption rate also declined -- from 43,241 bales in July 1942 and 41,672 bales in June 1943 to 39,986 bales in July 1943, the smallest daily consumption since February 1941.

For each of the first 5 months (August-December) of the 1942-43 season, consumption exceeded that of the corresponding month of the previous year. Total consumption for the period was 269,000 bales larger than for the same months of the record-breaking 1941-42 season. However, from January through the end of the season, except for March, consumption fell below the level of the corresponding month a year earlier. Despite the monthly decline, on the other hand, the cumulative consumption still ran ahead of the corresponding 1941-42 period up to the end of June 1943 when the lead was 83,000 bales over 1941-42. But the sharp drop of nearly 155,000 bales in July compared with July 1942 more than erased the lead over the full 1941-42 season. Thus, the consumption of 11,098,513 bales for the 1942-43 season was 71,593 bales under the 1941-42 record of 11,170,106 bales.

Army to Reduce Purchases of Cotton Textiles

One of the most significant recent developments in the cotton situation was the August 18 announcement by the War Department that Army purchases of standard cotton fabrics are going to be reduced. The text of the announcement is as follows:

> "Contracts for standard cotton fabrics for Army use will be slowed down effective October 1 of this year and Army requirements for these items next year will be reduced by fifty per cent, the War Department announced today.
>
> "No cancellation of existing contracts for the three types of cotton fabrics involved is contemplated at present.
>
> "Deliveries for the months of October, November, and December of this year for 8.2 ounce cotton khaki, 6-ounce cotton khaki and 5-ounce wind-resistant poplin will be reduced fifty per cent and the delayed deliveries postponed to the first three months of 1944.
>
> "However, procurement and delivery of herringbone twill will continue at its present level for the balance of this year.
>
> "Stocks of the fabrics on hand with deliveries at the reduced rate are expected to be ample to meet 1944 requirements. The slow-down in contracts for the goods is due largely to the fact that the pipeline of supply through which all Army materiel flows to the fighting fronts has been adequately provided for insofar as the

three fabrics are concerned. Since the initial clothing for our troops has largely been obtained, it only remains to procure quantities of these fabrics in direct relation to the consumption.

"This slowdown applies only to cotton and is not to be interpreted as a letdown in the production of weapons of war requiring critical metals. The War Department continues to voice great concern over the failure to meet necessary production schedules in this important field."

August 1 Carry-Over 10.7 Million Bales; Slight Increase over 1942

According to the official cotton report released by the Bureau of the Census on August 16, the carry-over of cotton in this country on August 1 was 10,686,524 bales. This compares with a carry-over of 10,640,291 bales on August 1, 1942, an increase of about 46,000 bales.

Of the total carry-over slightly over 2.1 million bales or 20 percent was held in consuming establishments. This represents a decline of about 134,000 bales from the record quantity of 2-1/4 million bales held a year earlier. Public storage and compresses accounted for 7.7 million bales, a gain of 55,000 bales over 1942. The remaining 865,000 bales, compared with 740,000 bales in 1942, were in transit, on farms, and at other places.

Of the total carry-over, foreign cotton comprised 87,778 bales compared with 135,422 bales a year ago. Of these amounts 38,052 bales and 38,546 bales, respectively, were Egyptian. The carry-over of American-Egyptian was reported at 36,541 bales, compared with 24,859 bales in 1942. This is well below the 49,000 bale figure obtained by subtracting the 1942-43 consumption of 50,273 bales from the reported supply of about 99,000 bales (carry-over of about 25,000 bales on August 1, 1942, and ginnings of about 74,000 bales).

Highest Yield on Record Forecast in August

A yield of 279.4 pounds of cotton per acre was indicated for 1943 on the basis of August 1 conditions. This would be a record yield, exceeding the 1942 record of 272.5 pounds by 6.9 pounds per acre and the 1932-41 average by 62.4 pounds. With such a high yield per acre the indicated production was estimated at 12,558,000 bales. This compared with 12,824,000 bales in 1942 and an average of 12,474,000 bales during the decade 1932-41.

Cotton Prices in Irrigated Markets Substantially Below Level in 10 Markets

On the basis of the data in table 1, it is evident that there was no significant difference between the loan rate and market price of Middling 15/16-inch cotton in the Western irrigated markets 1/ in late August, although the market exceeded the loan rate by about 3/4 cent in the six Central and Southwestern markets. 2/ On August 21, 1942, the market exceeded the loan

---

1/ El Paso, Phoenix, and Bakersfield, Tulare, and Fresno.

2/ Memphis, Little Rock, New Orleans, Houston, Galveston, and Dallas.

rate by about 1/5 cent in the Western irrigated markets and by about 1-1/4 cents in the Central and Southwestern markets.

On August 20, 1943, prices of Middling 15/16-inch cotton in the Western irrigated markets averaged 18.71 cents per pound or 1.19 cents less than the average of the six Central and Southwestern spot markets. The spread compares with an average of 1.65 cents last season (table 1). Because of the longer distance from the mill and the higher transportation charge, one would expect a lower price in the irrigated markets than in those farther east. However, the location differentials for all these markets under the 1943 Government loan program are determined by the rail freight rate to the Group "B" mill area of the Carolinas. For the six Central and Southwestern markets the freight to the Group "B" mill points is 62 points while it is 109 points for the Western irrigated markets. This difference of 47 points therefore is all that can be explained on the basis of transportation differences. A small additional portion of the difference is accounted for by the fact that prices in the irrigated markets are for cotton in gin yards whereas other quotations are for cotton in warehouses. Even if a liberal allowance is made for this variation in quotation procedure, however, over half of the observed difference between prices in rain-grown and irrigated markets is still unexplained. Much of this difference is apparently accounted for by the unwillingness of mills to pay as much for irrigated cotton of a particular grade and staple length as they will for the same grade and staple length of rain-grown cotton.

Table 1.- Cotton: Spot price and loan rate, specified markets, 1942-43

Area and market	1942-43 average 1/	Aug. 20, 1943	Government loan rate 1942	Government loan rate 1943	Spread between 1943 loan and 1942-43 average 1/	Spread between 1943 loan and Aug. 20, 1943	Spread between 1943 loan and 1942 loan
	Cents	Cents	Cents	Cents	Cents	Cents	Cents
Western irrigated markets							
El Paso	18.61	19.06	16.91	18.95	2/ .34	3/ .11	2/ 2.04
Phoenix	18.15	18.51	16.55	18.59	2/ .44	2/ .08	2/ 2.04
Bakersfield 4/	18.24	18.56	16.55	18.59	2/ .35	2/ .03	2/ 2.04
Average	18.33	18.71	16.67	18.71	2/ .38	.00	2/ 2.04
Central and southwestern markets							
New Orleans	19.97	19.92	17.18	19.22	3/ .75	3/ .70	2/ 2.04
Memphis	20.07	19.95	17.22	19.26	3/ .81	3/ .69	2/ 2.04
Little Rock	20.05	19.95	17.15	19.19	3/ .86	3/ .76	2/ 2.04
Dallas	19.97	19.86	17.07	19.11	3/ .86	3/ .75	2/ 2.04
Houston	19.90	19.85	17.12	19.16	3/ .74	3/ .69	2/ 2.04
Galveston	19.90	19.86	17.12	19.16	3/ .74	3/ .70	2/ 2.04
Average	19.98	19.90	17.14	19.18	3/ .80	3/ .72	2/ 2.04

Compiled from records and reports of the Food Distribution Administration, Cotton and Fiber Branch, and the Commodity Credit Corporation.

1/ Average of Friday's prices.

2/ 1943 loan rate higher by specified amount.

3/ 1943 loan rate lower by specified amount.

4/ Bakersfield, Fresno, and Tulare.

Table 2.- Cotton: Price per pound of Middling 15/16-inch at 15 specified spot markets, August 1942-July 1943 1/

Area and market	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Yearly average
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents
Southeastern markets													
Charleston	18.81	18.90	18.94	19.47	19.92	20.69	20.92	21.42	21.48	21.43	21.42	21.34	20.40
Augusta	19.16	19.25	19.26	19.75	20.13	20.89	21.12	21.58	21.63	21.60	21.62	21.47	20.62
Savannah	18.76	18.92	18.92	19.47	19.92	20.71	21.07	21.52	21.54	21.50	21.47	21.31	20.42
Montgomery	18.51	18.59	18.95	19.28	19.75	20.61	20.90	21.32	21.36	21.34	21.36	21.19	20.26
Average	18.81	18.92	19.02	19.49	19.93	20.72	21.00	21.46	21.50	21.47	21.47	21.33	20.43
South Central markets													
New Orleans	18.57	18.64	18.78	19.18	19.55	20.34	20.61	20.94	20.94	20.75	20.85	20.54	19.97
Memphis	18.76	18.64	18.97	19.30	19.67	20.44	20.54	21.08	21.05	20.81	20.98	20.65	20.07
Little Rock	18.76	18.58	18.93	19.25	19.57	20.39	20.60	21.08	21.07	20.81	20.95	20.63	20.05
Average	18.70	18.62	18.89	19.24	19.60	20.39	20.58	21.03	21.02	20.79	20.93	20.61	20.03
Southwestern markets													
Dallas	18.40	18.52	18.83	19.18	19.58	20.39	20.48	20.92	21.02	20.97	20.86	20.47	19.97
Houston	18.33	18.50	18.65	19.09	19.48	20.29	20.46	20.82	20.91	20.92	20.88	20.50	19.90
Galveston	18.34	18.50	18.64	19.08	19.45	20.29	20.47	20.82	20.92	20.88	20.90	20.52	19.90
Lubbock	17.96	18.16	18.64	19.12	19.52	20.19	20.45	20.90	21.03	20.99	20.86	20.49	19.86
Oklahoma City	18.40	18.30	18.63	19.15	19.43	20.22	20.42	21.02	21.07	20.99	20.90	20.33	19.90
Average	18.29	18.40	18.68	19.12	19.49	20.28	20.46	20.90	20.99	20.95	20.88	20.46	19.91
Western irrigated markets													
El Paso	17.34	17.52	17.50	17.86	18.18	18.94	19.02	19.47	19.41	19.26	19.42	19.37	18.61
Phoenix	16.77	17.04	17.04	17.68	17.99	18.51	18.53	18.80	18.81	18.85	18.93	18.84	18.15
Bakersfield 2/	16.92	17.19	17.21	17.84	17.90	18.90	18.54	18.97	19.01	18.57	18.97	18.89	18.24
Average	17.01	17.25	17.25	17.79	18.02	18.78	18.70	19.08	19.08	18.89	19.11	19.03	18.33
10 markets 3/	18.64	18.70	18.89	19.30	19.70	20.50	20.72	21.15	21.19	21.10	21.13	20.87	20.16
15 markets	18.25	18.35	18.53	18.98	19.34	20.12	20.27	20.71	20.75	20.64	20.68	20.43	19.75
Mill points 4/	19.85	19.84	20.31	20.66	21.02	21.79	21.84	22.27	22.26	22.14	22.23	22.23	21.37

Compiled from records and reports of the Food Distribution Administration, Cotton and Fiber Branch.

1/ Average of Friday's prices.

2/ Bakersfield-Fresno-Tulare.

3/ Charleston, Augusta, Savannah, Montgomery, New Orleans, Memphis, Little Rock, Dallas, Houston, and Galveston.

4/ Carolina Group "B" mill points.

Table 3.- Index of cotton consumption, United States, August 1919-July 1942

Adjusted for seasonal variation, 1935-39 = 100

Year	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Average
1919	91	89	98	95	93	102	98	97	100	97	96	94	96
1920	87	83	75	60	54	65	74	73	73	78	80	78	73
1921	82	89	92	95	95	90	87	86	83	85	90	92	89
1922	96	91	95	103	99	97	100	101	102	107	105	99	100
1923	96	95	91	91	87	92	86	82	81	73	69	71	85
1924	74	80	89	90	94	97	98	97	101	97	93	97	92
1925	93	89	93	97	101	99	100	101	98	95	98	96	97
1926	101	105	101	100	104	101	104	110	107	113	122	124	108
1927	120	115	109	107	101	98	98	95	93	99	97	93	102
1928	99	96	103	105	105	107	107	107	107	115	112	109	106
1929	107	104	106	95	87	93	89	86	90	83	78	75	91
1930	70	72	74	76	75	75	78	81	86	84	84	86	78
1931	85	83	79	77	77	77	78	78	64	60	60	58	73
1932	75	89	89	87	83	81	80	79	85	107	129	125	92
1933	108	93	87	82	70	83	86	90	91	89	70	73	85
1934	77	58	86	83	83	90	87	83	80	80	77	76	80
1935	78	84	90	93	93	97	93	91	99	97	102	112	94
1936	114	112	113	114	124	122	121	122	124	125	125	118	120
1937	114	107	95	84	74	76	78	81	74	76	81	96	86
1938	101	95	99	103	105	103	103	102	103	103	106	111	103
1939	114	117	119	124	127	120	115	108	107	109	114	121	116
1940	124	119	126	139	142	144	152	156	160	164	160	162	146
1941	160	156	161	167	155	169	174	169	177	175	169	166	167
1942	169	172	172	171	163	171	171	166	166	169	160	153	167

Compiled from reports of the Federal Reserve Board.

Table 4.- Index of industrial production, United States, August 1919-July 1942

Adjusted for seasonal variation, 1935-39 = 100

Year	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Annual
1919	77	75	74	74	74	82	82	81	76	78	78	76	77
1920	77	74	72	66	62	58	57	55	55	57	56	56	62
1921	58	58	61	61	61	63	65	69	67	70	74	74	65
1922	72	76	80	84	86	85	86	89	91	92	91	90	85
1923	88	87	86	86	84	86	88	86	83	80	76	75	84
1924	78	81	82	84	86	89	89	89	90	90	89	91	86
1925	90	88	92	94	95	93	93	95	94	94	95	95	93
1926	96	98	98	97	97	96	97	99	96	97	96	95	97
1927	95	94	92	92	93	94	95	96	95	97	98	99	95
1928	101	101	103	105	107	108	108	108	110	112	113	114	108
1929	114	112	110	105	100	100	100	98	98	96	93	89	101
1930	86	85	83	81	79	78	79	80	80	80	77	76	80
1931	73	70	68	67	66	64	63	62	58	56	54	53	63
1932	54	58	60	59	58	58	57	54	58	68	78	85	62
1933	82	77	73	69	70	72	75	79	79	80	79	73	76
1934	73	70	71	72	77	83	85	84	82	83	84	84	79
1935	87	89	92	94	95	94	92	93	98	100	103	104	95
1936	106	108	110	113	116	116	118	120	120	121	119	120	116
1937	119	115	107	96	87	85	84	84	82	81	81	86	92
1938	90	93	96	100	101	101	101	101	97	98	103	105	99
1939	106	114	121	124	125	122	116	113	113	117	122	122	118
1940	124	127	131	134	138	140	143	147	144	154	159	160	142
1941	160	161	164	167	167	171	172	172	173	174	176	178	170
1942	183	187	191	194	197	199	202	202	203	203	202	205	197

Compiled from reports of the Federal Reserve Board.

Table 5.- STATISTICAL SUMMARY

Item	Unit or base period	1942 July	1943 May	1943 June	1943 July	Pct. of year ago 1/
ices:						
iddling 15/16-inch, 10 markets	Cent	19.42	21.12	21.11	20.85	107
arm, United States	Cent	18.55	20.09	19.96	19.60	106
arity	Cent	18.85	20.21	20.34	20.46	108
arm, percentage of parity ...	Percent	98	99	98	96	98
remium of 1-1/8-inch over asis 2/:						
Memphis	Point	450	425	410	401	89
Carolina "B" mill area	Point	635	650	650	606	95
New England mill area	Point	660	675	675	631	96
erican-Egyptian, farm, Arizona	Cent	40.3	43.3	43.3	---	---
xP, New England mill points 3/	Cent	44.52	47.23	47.44	47.96	108
loth, 17 constructions	Cent	40.62	40.62	40.62	40.62	100
ill margin (17 constructions)	Cent	21.27	19.69	19.69	19.94	94
ottonseed, farm price	Dollar	43.20	46.11	46.40	44.50	103
ottonseed, parity	Dollar	34.28	36.76	37.00	37.20	108
ottonseed, farm, pct. of parity	Percent	126	125	125	120	95
sumption:						
ll kinds during month, total	1,000 bales	994.6	901.6	916.8	839.7	84
ll kinds cumulative, total ..	1,000 bales	11,170	9,342	10,259	11,098	99
ll kinds per day, total	Bale	43,241	43,981	41,672	39,986	92
ll kinds, annual rate	Million bales	11.1	11.2	10.6	10.2	92
erican-Egyptian cotton, total	Bale	4,728	4,377	4,487	3,524	74
erican-Egyptian, cumulative	Bale	47,031	42,262	46,749	50,273	107
reign cotton, total	Bale	17,036	12,406	11,826	9,907	58
reign cotton, cumulative ...	Bale	196,491	147,921	159,747	169,654	86
ndle activity:						
pindles in place	Thousand	23,971	23,478	23,438	23,405	98
tive spindles	Thousand	23,110	22,788	22,777	22,655	98
rcentage active	Percent	96.4	97.1	97.2	96.8	100
urs operated, total	Million	11,484	10,581	10,702	9,885	86
urs per spindle in operation	Hour	497	464	470	436	88
urs per day 4/	Hour	16.0	15.0	15.7	14.1	88
cks, end of month:						
nsuming establishments	1,000 bales	2,252	2,321	2,222	2,117	94
lic storage and compresses	1,000 bales	7,649	9,669	8,550	7,704	101
tal 5/	1,000 bales	9,901	11,990	10,772	9,821	99
ptian cotton, total 5/	Bale	38,546	42,851	39,954	38,052	99
erican-Egyptian cotton, total 5/	Bale	24,859	35,530	34,757	36,541	147
ex numbers:						
tton consumption	1935-39 = 100	166	169	160	153	92
indle activity 6/	Percent	130.2	134.1	129.7	120.0	92
ices paid, interest, and taxes	1910-14 = 100	152	163	164	165	108
ustrial production	1935-39 = 100	178	203	202	205	115
lesale prices	1910-14 = 100	144	152	152	151	105

piled from official sources. 1/ Applies to last month for which data are ilable. 2/ Premiums for Middling 1-1/8 inch based on near active month futures New York. 3/ SxP, No. 2, 1-1/2 inch, New England mill points. 4/ Total hours spindle in operation divided by number of days in calendar month. 5/ Includes stocks in mills and public storage and at compresses. 6/ Based on 5-day hour per week operation.